

Denver Community School District

Independent Auditor's Reports  
Basic Financial Statements  
And Supplementary Information  
Schedule of Findings

June 30, 2006

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# Denver Community School District

## Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
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### Board of Education

#### (Before September 2005 Election)

Carter Stevens	President	2007
Terry Cahill	Vice President	2005
Ken Kuennen	Board Member	2006
Craig Lohmann	Board Member	2006
Ken Olson	Board Member	2005

### Board of Education

#### (After September 2005 Election)

Carter Stevens	President	2007
Craig Lohmann	Vice President	2006
Ken Kuennen	Board Member	2006
Kerri Wilson	Board Member	2008
Dale Schneider	Board Member	2008

### School Officials

Kathryn A. Waldo-Gilbert	Superintendent	2006
Susan Steege	District Secretary/Treasurer	2006
Gaylen Hassman	Attorney	2006

## Independent Auditor's Report

To the Board of Education of  
Denver Community School District:

I have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District, Denver, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. My responsibility is to express an opinion on these financial statements based on my audit.


I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Denver Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, I have also issued my report dated October 5, 2006 on my consideration of Denver Community School District's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit.

Management's Discussion and Analysis and budgetary comparison information on pages 4 through 12 and 33 through 34 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Denver Community School District's basic financial statements. I previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in my audit of the basic financial statements and, in my opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Keith Oltrogge  
Certified Public Accountant

October 5, 2006

## MANAGEMENT'S DISCUSSION AND ANALYSIS

Denver Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

### 2006 FINANCIAL HIGHLIGHTS

- General Fund revenues increased from \$5,082,289 in fiscal 2005 to \$5,146,492 in fiscal 2006, while General Fund expenditures increased from \$5,173,493 in fiscal 2005 to \$5,225,451 in fiscal 2006. The District's General Fund balance decreased from \$447,465 in fiscal 2005 to \$338,506 in fiscal 2006, a 24% decrease.
- The increase in General Fund revenues was attributable to an increase in state revenue in fiscal 2006. The increase in expenditures was due primarily to an increase in cost of utilities and fuel.
- A decrease in the District's General Fund balance resulted in the District's solvency ratio decreasing from 8.6% in 2005 to 6.4% in fiscal 2006. The District's solvency level indicates the District is able to meet unforeseen financing requirements and presents a sound risk for the timely repayment of short-term debt obligations.

### USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Denver Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Denver Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Denver Community School District acts solely as an agent or custodian for the benefit of those outside of County government.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the non-major Special Revenue Funds.

Figure A-1 shows how the various parts of this annual report are arranged and relate to one another.

**Figure A-1**  
**Denver Community School District Annual Financial Report**

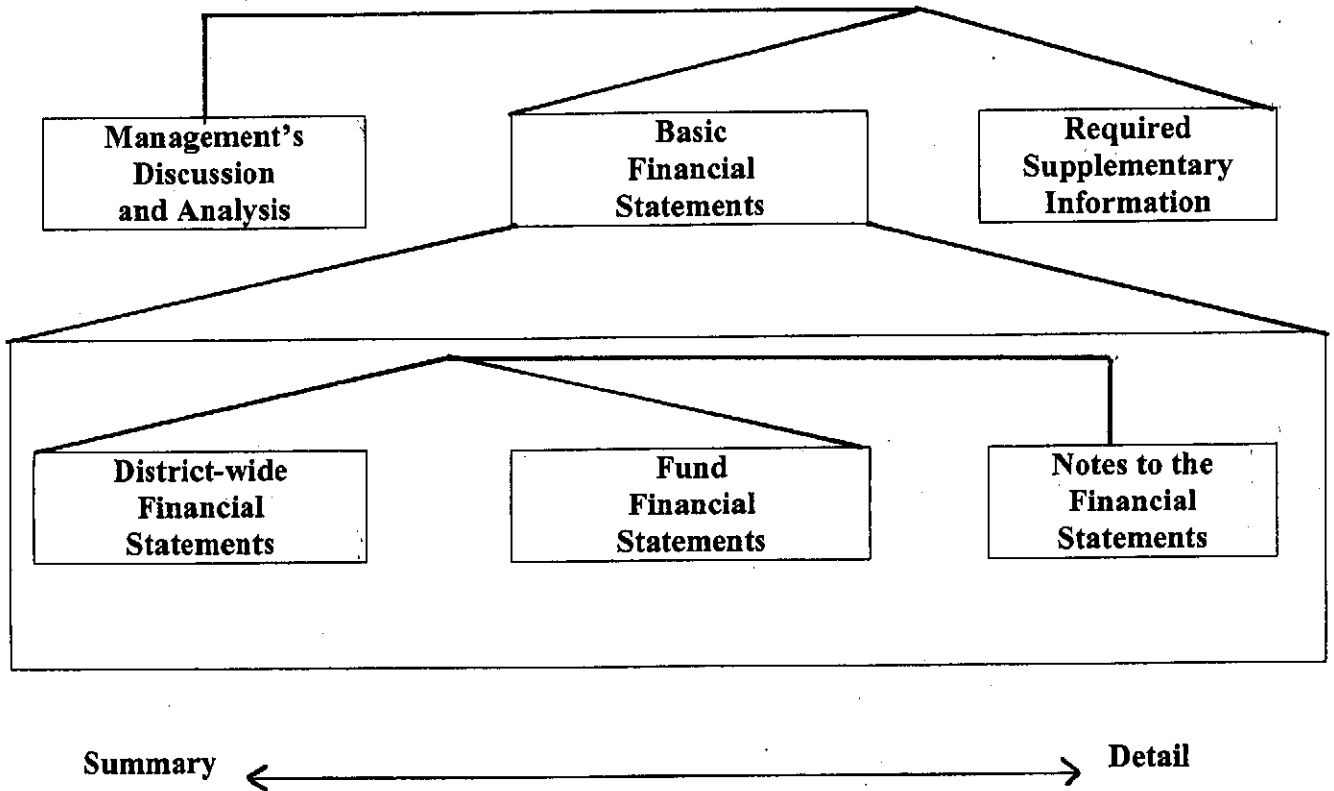


Figure A-2 summarizes the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain.

**Figure A-2**  
**Major Features of the Government-wide and Fund Financial Statements**

	Government-wide Statements	Fund Statements		
		Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance	Activities the District operates similar to private businesses: food services and adult education	Instances in which the District administers resources on behalf of someone else, such as scholarship programs
Required financial statements	Statement of net assets	Balance sheet	Statement of net assets	Statement of fiduciary net assets
	Statement of activities	Statement of revenues, expenditures and changes in fund balances	Statement of revenues, expenses and changes in fund net assets	Statement of changes in fiduciary net assets
			Statement of cash flows	
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus	Accrual accounting and economic resources focus
Type of asset/ liability information	All assets and liabilities, both financial and capital, short-term and long- term	Generally, assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both financial and capital, short-term and long- term	All assets and liabilities, both short- term and long-term; funds do not currently contain capital assets, although they can
Type of inflow/ outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due during the year or soon thereafter	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid



## REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

### *Government-wide Financial Statements*

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.
- *Business type activities:* The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

### *Fund Financial Statements*

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as federal grants.

The District has three kinds of funds:

- 1) *Governmental funds:* Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs.

The District's governmental funds include the General Fund, Special Revenue Funds, Debt Service Fund and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenues, expenditures and changes in fund balances.

- 2) *Proprietary funds:* Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities, but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) *Fiduciary funds:* The District is the trustee, or fiduciary, for assets that belong to others. These funds include Private-Purpose Trust Funds.

- Private-Purpose Trust Fund – The District accounts for outside donations for scholarships in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds include a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliation between the government-wide financial statements and the fund financial statements follow the fund financial statements.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Figure A-3 below provides a summary of the District's net assets at June 30, 2006 compared to June 30, 2005.

**Figure A-3**  
**Condensed Statement of Net Assets**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Current and other assets	\$4,109,826	\$4,313,817	\$51,312	\$65,930	\$4,161,138	\$4,379,747	-\$218,609
Capital assets	5,289,089	4,914,081	30,454	26,371	5,319,543	4,940,452	379,091
Total assets	\$9,398,915	\$9,227,898	\$81,766	\$92,301	\$9,480,681	\$9,320,199	\$160,482
Long-term liabilities	\$2,210,000	\$2,330,756	\$-	\$-	\$2,210,000	\$2,330,756	-\$120,756
Other liabilities	3,317,603	3,485,102	2,974	2,840	3,320,577	3,487,942	-167,365
Total liabilities	\$5,527,603	\$5,815,858	\$2,974	\$2,840	\$5,530,577	\$5,818,698	-\$288,121
Net assets:							
Invested in capital assets, net of related debt	\$3,139,089	\$2,614,081	\$30,454	\$26,371	\$3,169,543	\$2,640,452	\$529,091
Restricted	393,717	380,372	-	-	393,717	380,372	13,345
Unrestricted	338,506	417,587	48,338	63,090	386,844	480,677	-93,833
Total net assets	\$3,871,312	\$3,412,040	\$78,792	\$89,461	\$3,950,104	\$3,501,501	\$448,603

The District's combined net assets increased by nearly 11%, or approximately \$450,000, over the prior year. The largest portion of the District's net assets is in the "invested in capital assets (e.g., land, infrastructure, buildings and equipment), less the related debt". The debt related to the investment in capital assets is liquidated with sources other than capital assets.

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The District's restricted net assets increased approximately \$13,000, or 3% over the prior year. The increase was primarily a result of increased expenditures in the Capital Projects Fund.

Unrestricted net assets – the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements – decreased approximately \$94,000, or 20%. This reduction in unrestricted net assets was a result of the District using carryover fund balance to meet its financial obligations during the year.

Figure A-4 shows the change in net assets for the year ended June 30, 2006.

**Figure A-4**  
**Changes in Net Assets**

	Governmental Activities	Business Type Activities	Total District
<b>Revenues:</b>			
Program revenues:			
Charges for service	\$459,124	\$151,439	\$610,563
Operating grants, contributions and restricted interest	534,473	78,046	612,519
Capital grants, contributions and restricted interest	-	-	-
General revenues:			
Property tax	2,065,746	-	2,065,746
Local option sales and service tax	407,794	-	407,794
Unrestricted state grants	2,590,963	-	2,590,963
Unrestricted investment earnings	74,570	956	75,526
Other	104,716	-	104,716
<b>Total revenues</b>	<b>\$6,237,386</b>	<b>\$230,441</b>	<b>\$6,467,827</b>
<b>Program expenses:</b>			
Governmental activities:			
Instruction	\$3,663,210	\$-	\$3,663,210
Support services	1,777,785	-	1,777,785
Non-instructional programs	-	241,110	241,110
Other expenses	337,119	-	337,119
<b>Total expenses</b>	<b>\$5,778,114</b>	<b>\$241,110</b>	<b>\$6,019,224</b>
<b>Change in net assets</b>	<b>\$459,272</b>	<b>-\$10,669</b>	<b>\$448,603</b>

Property tax and unrestricted state grants account for 72% of the total revenue. The District's expenses primarily relate to instruction and support services, which account for 90% of the total expenses.

#### **Governmental Activities**

Revenues for governmental activities were \$6,237,386 and expenses were \$5,778,114. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net cost of the District's major governmental activities: instruction, support services, non-instructional programs and other expenses.

**Figure A-5**  
**Total and Net Cost of  
Governmental Activities**

	Total Cost of Services	Net Cost of Services
Instruction	\$3,663,210	\$2,671,637
Support Services	1,777,785	1,775,761
Non-instructional programs	-	-
Other expenses	337,119	337,119
<b>Totals</b>	<b>\$5,778,114</b>	<b>\$4,784,517</b>

- The cost financed by users of the District's programs was \$610,563.
- Federal and state governments subsidized certain programs with grants and contributions totaling \$612,519.
- The net cost of governmental activities was financed with \$2,473,540 in property and other taxes and \$2,590,963 in unrestricted state grants.

### **Business Type Activities**

Revenues for business type activities were \$230,441 and expenses were \$241,110. The District's business type activities include the School Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

### **INDIVIDUAL FUND ANALYSIS**

As previously noted, Denver Community School District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$807,811, below last year's ending fund balances of \$845,078.

### **Governmental Fund Highlights**

- The District's declining General Fund financial position is the result of many factors. Growth during the year in tax and grants resulted in an increase in revenues. However, the increase in revenues was offset by the District's increase in General Fund expenditures.
- The General Fund balance decreased from \$447,465 to \$338,506, due in part to the increase in expenditures.
- The Physical Plant and Equipment Levy (PPEL) Fund balance decreased from \$166,640 in fiscal 2005 to \$127,875 in fiscal 2006. While revenues remained approximately the same, the District increased spending over revenue from the PPEL Fund.
- The Capital Projects Fund balance increased during fiscal 2006. The District ended fiscal 2005 with a balance of \$104,186. Fiscal 2006 ended with a balance of \$202,084.

### **Proprietary Fund Highlights**

- School Nutrition Fund net assets decreased from \$89,461 at June 30, 2005 to \$78,792 at June 30, 2006, representing a decrease of approximately 12%.

### **BUDGETARY HIGHLIGHTS**

The District's receipts were \$4,423 more than budgeted receipts, a variance of .1%. The most significant variance resulted from the District receiving more in local sources than originally anticipated.

The District's total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At June 30, 2006, the District had invested \$5.3 million, net of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. (See Figure A-6) This represents a net increase of 7% from last year. More detailed information about the District's capital assets is presented in Note 4 to the financial statements. Depreciation expense for the year was \$286,431.

The original cost of the District's capital assets was \$9.57 million. Governmental funds account for \$9.53 million, with the remainder of \$0.04 million accounted for in the Proprietary, School Nutrition Fund.

**Figure A-6**  
**Capital Assets, net of Depreciation**

	Governmental Activities		Business Type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$211,600	\$211,600	\$-	\$-	\$211,600	\$211,600	\$-
Buildings	4,191,006	4,009,327	-	-	4,191,006	4,009,327	181,679
Improvements other than buildings	455,136	276,177	-	-	455,136	276,177	178,959
Furniture and equipment	431,347	416,977	30,454	26,371	461,801	443,348	18,453
Totals	\$5,289,089	\$4,914,081	\$30,454	\$26,371	\$5,319,543	\$4,940,452	\$379,091

### Long-Term Debt

At June 30, 2006, the District had \$2,210,000 in general obligation and other long-term debt outstanding. This represents a decrease of approximately 7% from last year. (See Figure A-7) Additional information about the District's long-term debt is presented in Note 5 to the financial statements.

**Figure A-7**  
**Outstanding Long-term Obligations**

	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
General obligation bonds	\$2,150,000	\$2,300,000	-\$150,000
Early retirement	60,000	30,756	29,244
Totals	\$2,210,000	\$2,330,756	-\$120,756

## **ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE**

At the time these financial statements were prepared and audited, the District was aware of several existing circumstances that could significantly affect its financial health in the future:

- The District is anticipating increasing enrollment. The enrollment has increased for the past four years and figures are indicating increases for the coming years.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kathryn Waldo-Gilbert, Superintendent, Denver Community School District, 520 Lincoln Street, Denver IA 50622.

## **Basic Financial Statements**

## Denver Community School District

## Statement of Net Assets

June 30, 2006

	Govern- mental Activities	Business Type Activities	Total
<b>Assets</b>			
Cash and Cash Equivalents:			
ISCAP	\$ 908,735	\$ -	\$ 908,735
Other	1,063,143	48,898	1,112,041
Receivables:			
Property tax:			
Delinquent	29,115	-	29,115
Succeeding year	2,043,804	-	2,043,804
Accounts	45,011	1,247	46,258
Accrued interest:			
ISCAP	283	-	283
Due from other governments	19,735	-	19,735
Inventories	-	1,167	1,167
Capital assets, net of accumulated depreciation	5,289,089	30,454	5,319,543
<b>Total Assets</b>	<b>\$ 9,398,915</b>	<b>\$ 81,766</b>	<b>\$ 9,480,681</b>
<b>Liabilities</b>			
Excess of warrants issued over bank balance	\$ 303,861	\$ -	\$ 303,861
Accounts payable	37,201	-	37,201
Accrued interest payable	15,588	-	15,588
Deferred revenue-succeeding year property tax	2,043,804	-	2,043,804
Deferred revenue-other	-	2,974	2,974
ISCAP warrants payable	910,000	-	910,000
ISCAP accrued interest payable	224	-	224
Other current liabilities	6,925	-	6,925
Long-term liabilities:			
Portion due within one year:			
General obligation bonds payable	155,000	-	155,000
Early retirement	20,000	-	20,000
Portion due after one year:			
General obligation bonds payable	1,995,000	-	1,995,000
Early retirement	40,000	-	40,000
<b>Total Liabilities</b>	<b>\$ 5,527,603</b>	<b>\$ 2,974</b>	<b>\$ 5,530,577</b>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	\$ 3,139,089	\$ 30,454	\$ 3,169,543
Restricted for:			
Management levy	-3,037	-	-3,037
Physical plant and equipment levy	127,875	-	127,875
Other special revenue purposes	268,879	-	268,879
Unrestricted	338,506	48,338	386,844
<b>Total Net Assets</b>	<b>\$ 3,871,312</b>	<b>\$ 78,792</b>	<b>\$ 3,950,104</b>

See notes to financial statements.



**Denver Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues			
		Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
	Expenses			
<b><u>Functions/Programs</u></b>				
<b>Governmental Activities:</b>				
<b>Instruction:</b>				
Regular instruction	\$ 2,633,477	\$ 272,457	\$ 451,543	\$ -
Special instruction	523,400	-	62,557	-
Other instruction	506,333	186,667	18,349	-
	<u>\$ 3,663,210</u>	<u>\$ 459,124</u>	<u>\$ 532,449</u>	<u>\$ -</u>
<b>Support Services:</b>				
Student services	\$ 155,666	\$ -	\$ -	\$ -
Instructional staff services	225,114	-	-	-
Administration services	682,041	-	-	-
Operation and maintenance of plant services	540,141	-	-	-
Transportation services	174,823	-	2,024	-
	<u>\$ 1,777,785</u>	<u>\$ -</u>	<u>\$ 2,204</u>	<u>\$ -</u>
Non-instructional programs	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Other Expenditures:</b>				
Facilities acquisition	\$ 36,916	\$ -	\$ -	\$ -
Long-term debt interest	97,705	-	-	-
AEA flow-through	202,498	-	-	-
	<u>\$ 337,119</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Total Governmental Activities	\$ 5,778,114	\$ 459,124	\$ 534,473	\$ -
<b>Business Type Activities:</b>				
<b>Non-Instructional Programs:</b>				
Food service operations	241,110	151,439	78,046	-
Total	<u>\$ 6,019,224</u>	<u>\$ 610,563</u>	<u>\$ 612,519</u>	<u>\$ -</u>

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities		Business Type Activities		Total
\$	-1,909,477	\$	-	\$ -1,909,477
	-460,843		-	-460,843
	-301,317		-	-301,317
\$	-2,671,637	\$	-	\$ -2,671,637
\$	-155,666	\$	-	\$ -155,666
	-225,114		-	-225,114
	-682,041		-	-682,041
	-540,141		-	-540,141
	-172,799		-	-172,799
\$	-1,775,761	\$	-	\$ -1,775,761
\$	-	\$	-	\$ -
\$	-36,916	\$	-	\$ -36,916
	-97,705		-	-97,705
	-202,498		-	-202,498
\$	-337,119	\$	-	\$ -337,119
\$	-4,784,517	\$	-	\$ -4,784,517
	-		-11,625	-11,625
\$	-4,784,517	\$	-11,625	\$ -4,796,142

**Denver Community School District**

**Statement of Activities**

**Year Ended June 30, 2006**

	Program Revenues		
	Charges for Services	Operating Grants, Contributions and Restricted Interest	Capital Grants, Contributions and Restricted Interest
Expenses			
<b>General Revenues:</b>			
Property Tax Levied For:			
General purposes			
Debt service			
Capital outlay			
Local option sales and services tax			
Unrestricted state grants			
Unrestricted investment earnings			
Other			
 Total General Revenues			
 Change in net assets			
 Net assets beginning of year			
 Net Assets End of Year			

See notes to financial statements.

Net (Expense) Revenue  
And Changes in Net Assets

Governmental Activities	Business Type Activities	Total
\$ 1,688,379	\$ -	\$ 1,688,379
249,339	-	249,339
128,028	-	128,028
407,794	-	407,794
2,590,963	-	2,590,963
74,570	956	75,526
104,716	-	104,716
<u>\$ 5,243,789</u>	<u>\$ 956</u>	<u>\$ 5,244,745</u>
\$ 459,272	\$ -10,669	\$ 448,603
3,412,040	89,461	3,501,501
<u>\$ 3,871,312</u>	<u>\$ 78,792</u>	<u>\$ 3,950,104</u>

## Denver Community School District

Balance Sheet  
Governmental Funds

June 30, 2006

	General	Non-major Special Revenue	Total
<b>Assets</b>			
Cash and Pooled Investments:			
ISCAP	\$ 908,735	\$ -	\$ 908,735
Other	634,251	428,892	1,063,143
Receivables:			
Property Tax:			
Delinquent	21,897	7,218	29,115
Succeeding year	1,554,852	488,952	2,043,804
Accounts	11,816	33,195	45,011
Accrued Interest:			
ISCAP	283	-	283
Due from other governments	19,735	-	19,735
<b>Total Assets</b>	<b>\$ 3,151,569</b>	<b>\$ 958,257</b>	<b>\$ 4,109,826</b>
<b>Liabilities and Fund Balances</b>			
Liabilities:			
Excess of warrants issued over bank balance	\$ 303,861	\$ -	\$ 303,861
Accounts payable	37,201	-	37,201
ISCAP warrants payable	910,000	-	910,000
ISCAP accrued interest payable	224	-	224
Deferred Revenue:			
Succeeding year property tax	1,554,852	488,952	2,043,804
Other current liabilities	6,925	-	6,925
<b>Total Liabilities</b>	<b>\$ 2,813,063</b>	<b>\$ 488,952</b>	<b>\$ 3,302,015</b>
Fund Balances:			
Unreserved	\$ 338,506	\$ 469,305	\$ 807,811
<b>Total Liabilities and Fund Balances</b>	<b>\$ 3,151,569</b>	<b>\$ 958,257</b>	<b>\$ 4,109,826</b>

See notes to financial statements.

## Denver Community School District

Reconciliation of the Balance Sheet – Governmental Funds  
To the Statement of Net Assets

June 30, 2006

<b>Total fund balances of governmental funds (page 16)</b>	\$ 807,811
<i>Amounts reported for governmental activities in the Statement of Net Assets are different because:</i>	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in the governmental funds	5,289,089
Other long-term assets are not available to pay current period expenditures and, therefore, are deferred in the governmental funds	-
Accrued interest payable on long-term liabilities is not due and payable in the current period and, therefore, is not reported as a liability in the governmental funds	-15,588
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds	<u>-2,210,000</u>
<b>Net assets of governmental activities (page 13)</b>	<u><u>\$ 3,871,312</u></u>

## Denver Community School District

Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds

Year Ended June 30, 2006

	General	Non-Major Special Revenue	Total
Revenues:			
Local Sources:			
Local tax	\$ 1,588,188	\$ 884,882	\$ 2,473,070
Tuition	247,457	-	247,457
Other	192,139	205,542	397,681
Intermediate sources	-	-	-
State sources	3,014,706	470	3,015,176
Federal sources	104,002	-	104,002
Total Revenues	\$ 5,146,492	\$ 1,090,894	\$ 6,237,386
Expenditures:			
Current:			
Instruction:			
Regular instruction	\$ 2,594,529	\$ 33,303	\$ 2,627,832
Special instruction	520,020	-	520,020
Other instruction	283,822	178,357	462,179
	\$ 3,398,371	\$ 211,660	\$ 3,610,031
Support Services:			
Student services	\$ 155,666	\$ -	\$ 155,666
Instructional staff services	225,114	-	225,114
Administration services	671,170	-	671,170
Operation and maintenance of plant services	459,461	69,158	528,619
Transportation services	143,171	-	143,171
	\$ 1,654,582	\$ 69,158	\$ 1,723,740
Non-instructional programs	\$ -	\$ -	\$ -
Other Expenditures:			
Facilities acquisition	\$ -	\$ 489,904	\$ 489,904
Long-Term Debt:			
Principal	-	150,000	150,000
Interest and fiscal charges	-	98,480	98,480
AEA flow-through	202,498	-	202,498
	\$ 202,498	\$ 738,384	\$ 940,882
Total Expenditures	\$ 5,255,451	\$ 1,019,202	\$ 6,274,653
Net change in fund balances	\$ -108,959	\$ 71,692	\$ -37,267
Fund balances beginning of year	447,465	397,613	845,078
Fund Balances End of Year	\$ 338,506	\$ 469,305	\$ 807,811

See notes to financial statements.

## Denver Community School District

**Reconciliation of the Statement of Revenues, Expenditures and  
Changes in Fund Balances – Governmental Funds  
To the Statement of Activities**

**Year Ended June 30, 2006**

**Net change in fund balances – total governmental funds (page 18)** \$ -37,267

***Amounts reported for governmental activities in the Statement of Activities are different because:***

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are not reported in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year, as follows:

Expenditures for capital assets	\$ 467,842	
Depreciation expense	-282,560	
Depreciation adjustment	189,726	375,008

Certain delinquent property tax not collected for several months after year end is not considered available revenue and is deferred in the governmental funds.

-

Proceeds from issuing long-term liabilities provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets. Repayment of long-term liabilities is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. Current year repayments exceeded issues, as follows:

Issued	\$ -	
Repaid	150,000	150,000

Interest on long-term debt in the Statement of Activities differs from the amount reported in the governmental funds because interest is recorded as an expenditure in the funds when due. In the Statement of Activities, interest expense is recognized as the interest accrues, regardless of when it is due.

775

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds, as follows:

Early retirement		-29,244
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**Change in Net Assets of Governmental Activities (page 15)** **\$ 459,272**



## Denver Community School District

Statement of Net Assets  
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
<b>Assets</b>	
Cash and cash equivalents	\$ 48,898
Accounts receivable	1,247
Inventories	1,167
Capital assets, net of accumulated depreciation	30,454
<b>Total Assets</b>	<u>\$ 81,766</u>
<b>Liabilities</b>	
Deferred revenue – other	<u>\$ 2,974</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	\$ 30,454
Unrestricted	<u>48,338</u>
<b>Total Net Assets</b>	<u>\$ 78,792</u>

## Denver Community School District

Statement of Revenues, Expenses and Changes in Fund Net Assets  
Proprietary Fund

June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	\$ 151,439
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	\$ 93,210
Benefits	12,063
Purchased services	541
Supplies	131,425
Depreciation	3,871
Total operating expenses	\$ 241,110
Operating loss	\$ -89,671
Non-operating revenues:	
State sources	\$ 3,801
Federal sources	74,245
Interest income	956
Total non-operating revenues	\$ 79,002
Change in net assets	\$ -10,669
Net assets beginning of year	89,461
Net Assets End of Year	\$ 78,792

## Denver Community School District

Statement of Cash Flows  
Proprietary Fund

Year Ended June 30, 2006

	School Nutrition
Cash flows from operating activities:	
Cash received from sale of lunches and breakfasts	\$ 152,031
Cash paid to employees for services	-105,273
Cash paid to suppliers for goods or services	-113,300
Net cash used by operating activities	<u>\$ -66,542</u>
Cash flows from non-capital financing activities:	
State grants received	\$ 3,801
Federal grants received	55,303
Net cash provided by non-capital financing activities	<u>\$ 59,104</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	\$ -7,954
Net cash used by capital and related financing activities	<u>\$</u>
Cash flows from investing activities:	
Interest on investments	<u>\$ 956</u>
Net decrease in cash and cash equivalents	\$ -14,436
Cash and cash equivalents beginning of year	<u>63,334</u>
Cash and Cash Equivalents End of Year	<u>\$ 48,898</u>
<b>Reconciliation of operating loss to net cash used by operating activities:</b>	
Operating loss	\$ -89,671
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	18,942
Depreciation	3,871
(Increase) in inventories	-276
Decrease in accounts receivable	458
Increase in deferred revenue	<u>134</u>
Net Cash Used by Operating Activities	<u>\$ -66,542</u>

**Non-cash investing, capital and financing activities:**

During the year ended June 30, 2006, the District received \$18,942 of federal commodities.

See notes to financial statements.

## Denver Community School District

Statement of Net Assets  
Fiduciary Fund

June 30, 2006

	Private Purpose Trust <u>Scholarship</u>
<b>Assets</b>	
Cash and pooled investments	\$ 343,295
<b>Total assets</b>	<u>\$ 343,295</u>
<b>Liabilities</b>	
Accounts payable	\$ -
<b>Total liabilities</b>	<u>\$ -</u>
<b>Net Assets</b>	
Reserved for scholarships	<u>\$ 343,295</u>

See notes to financial statements.

**Denver Community School District**  
**Statement of Changes in Fiduciary Net Assets**  
**Fiduciary Funds**  
**Year Ended June 30, 2006**

	Private Purpose Trust <u>Scholarship</u>
Additions:	
Local sources:	
Gifts and contributions	\$ -
Interest income	12,740
Total additions	<u>\$ 12,740</u>
Deductions:	
Support services:	
Scholarships awarded	\$ 5,000
Other projects	5,322
Total deductions	<u>10,322</u>
Change in net assets	\$ 2,418
Net assets beginning of year	<u>340,877</u>
Net Assets End of Year	<u>\$ 343,295</u>

## Denver Community School District

### Notes to Financial Statements

June 30, 2006

#### (1) Summary of Significant Accounting Policies

Denver Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the City of Denver, Iowa and portions of the predominately agricultural territories in Bremer and Black Hawk Counties. The District is governed by a Board of Education whose members are elected on a non-partisan basis.

The District's financial statements are prepared in conformity with U. S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

##### A. Reporting Entity

For financial reporting purposes, Denver Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Denver Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization – The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Bremer County Assessor's Conference Board.

##### B. Basis of Presentation

Government-wide Financial Statements – The Statement of Net Assets and the Statement of Activities report information on all of the non-fiduciary activities of the District. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

*Invested in capital assets, net of related debt* consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

*Restricted net assets* result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

*Unrestricted net assets* consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function and (2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements – Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as non-major governmental funds.

The District reports the following major governmental fund:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports fiduciary funds, which focus on net assets and changes in net assets. The District's fiduciary funds include the following:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements, which require income earned to be used to benefit individuals through scholarship awards.

#### C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year-end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee on Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

#### D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash, Pooled Investments and Cash Equivalents – The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for the investment in the Iowa Schools Joint Investment Trust, which is valued at amortized cost and non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable – Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenue until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½ % per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.



Due from Other Governments – Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories – Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased or received.

Capital Assets – Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

Asset Class	Amount
Land	\$ 2,000
Buildings	10,000
Improvements other than buildings	10,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	2,000

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Asset Class	Estimated Useful Lives (In Years)
Buildings	50 years
Improvements other than buildings	20 – 50 years
Furniture and equipment	5 – 15 years

Deferred Revenue – Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of unspent grant proceeds as well as property tax receivable and other receivables not collected within sixty days after year-end.

Deferred revenue in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied.

Long-term Liabilities – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity – In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets – In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information

(2) **Cash and Pooled Investments**

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

At June 30, 2006, the District had investments in the Iowa Schools Joint Investment Trust as follows:

	<u>Amortized Cost</u>
Total	<u>\$863,224</u>

The investments are valued at an amortized cost pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Credit Risk – The investment in the Iowa Schools Joint Investment Trust was rated Aaa by Moody's Investors Service.

(3) **Iowa School Cash Anticipation Program (ISCAP)**

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for withdrawal for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable	Unamortized Premium
2006-07A	6/28/06	6/28/07	\$ 908,735	\$ 283	\$ 910,000	\$ 224	\$ 6,925

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25<sup>th</sup> of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006, is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Paid	Balance End of Year
2005-06A	\$ -	\$ 250,000	\$ 250,000	\$ -

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06A	4.000%	3.903%
2005-06B	4.500%	4.772%
2006-07A	4.500%	5.676%

#### (4) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning Of Year	Increases	Decreases	Adjustment	Balance End Of Year
<b>Governmental Activities:</b>					
Capital assets not being depreciated:					
Land	\$ 211,600	\$ -	\$ -	\$ -	\$ 211,600
Total capital assets not being depreciated	\$ 211,600	\$ -	\$ -	\$ -	\$ 211,600
Capital assets being depreciated:					
Buildings	\$ 5,713,507	\$ 107,559	\$ -	\$ -	\$ 5,821,066
Improvements other than buildings	321,767	200,000	-	-	521,767
Furniture and equipment	2,813,414	160,283	-	-	2,973,697
Total capital assets being depreciated	\$ 8,848,688	\$ 467,842	\$ -	\$ -	\$ 9,316,530
Less accumulated depreciation for:					
Buildings	\$ 1,704,180	\$ 123,737	\$ -	\$ -197,857	\$ 1,630,060
Improvements other than buildings	45,590	21,041	-	-	66,631
Furniture and equipment	2,396,437	137,782	-	8,131	2,542,350
Total accumulated depreciation	\$ 4,146,207	\$ 282,560	\$ -	\$ -189,726	\$ 4,239,041
Total capital assets being depreciated, net	\$ 4,702,481	\$ 185,282	\$ -	\$ 189,726	\$ 5,077,489
Governmental Activities Capital Assets, Net	\$ 4,914,081	\$ 185,282	\$ -	\$ 189,726	\$ 5,289,089

	Balance Beginning Of Year	Increases	Decreases	Balance End Of Year
<b>Business type activities:</b>				
Furniture and equipment	\$ 54,513	\$ 7,954	\$ 16,017	\$ 46,450
Less accumulated depreciation	28,142	3,871	16,017	15,996
<b>Business Type Activities Capital Assets, Net</b>	<b>\$ 26,371</b>	<b>\$ 4,083</b>	<b>\$ -</b>	<b>\$ 30,454</b>

Depreciation expense was charged to the following functions:

**Governmental Activities:**

**Instruction:**

Regular	\$ 180,981
Special	3,380
Other	44,154

**Support services:**

Administration	10,871
Operation and maintenance of plant	11,522
Transportation	31,652

Unallocated	-
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<b>Total Depreciation Expense – Governmental Activities</b>	<b>\$ 282,560</b>
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**Business Type Activities:**

Food service operations	\$ 3,871
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**(5) Long-term Liabilities**

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning Of Year	Additions	Reductions	Balance End Of Year	Due Within One Year
General obligation bonds	\$ 2,300,000	\$ -	\$ 150,000	\$ 2,150,000	\$ 155,000
Early retirement	30,756	60,000	30,756	60,000	20,000
<b>Total</b>	<b>\$ 2,330,756</b>	<b>\$ 60,000</b>	<b>\$ 180,756</b>	<b>\$ 2,210,000</b>	<b>\$ 175,000</b>

**Early Retirement**

The District offers a voluntary early retirement plan to its licensed employees. Eligible employees must be at least age sixty and must have completed eighteen years of full-time service to the District. Employees must complete an application, which is required to be approved by the Board of Education. The early retirement incentive for each eligible employee is \$20,000 to be paid in three equal payments over three years. \$30,756 of early retirement benefits were paid during the year ended June 30, 2006. The cost of early retirement due to be paid in fiscal year 2007 is \$20,000.

## General Obligation Bonds Payable

Details of the District's June 30, 2006 general obligation bonded indebtedness are as follows:

Year Ending June 30,	Interest Rate	Principal	Interest	Total
2007	3.40%	\$ 155,000	\$ 93,530	\$ 248,530
2008	3.65%	165,000	88,260	253,260
2009	3.85%	175,000	82,238	257,238
2010	4.00%	180,000	75,500	255,500
2011	4.10%	105,000	68,300	173,300
2012	4.20%	110,000	63,995	173,995
2013	4.30%	115,000	59,375	174,375
2014	4.40%	120,000	54,430	174,430
2015	4.50%	125,000	49,150	174,150
2016	4.60%	135,000	43,525	178,525
2017	4.70%	140,000	37,315	177,315
2018	4.80%	145,000	30,735	175,735
2019	4.85%	150,000	23,775	173,775
2020	5.00%	160,000	16,500	176,500
2021	5.00%	170,000	8,500	178,500
Total		\$ 2,150,000	\$ 795,128	\$ 2,945,128

### **(6) Pension and Retirement Benefits**

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits, which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, P. O. Box 9117, Des Moines, Iowa, 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005 and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005 and 2004 were \$170,366, \$165,083, and \$155,263, respectively, equal to the required contributions for each year.

### **(7) Risk Management**

Denver Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

### **(8) Area Education Agency**

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$202,498 for the year ended June 30, 2006 and is recorded in the General Fund by making a memorandum adjusting entry to the cash basis financial statements.

### **(9) Commitment**

The District has entered into a contract totaling \$108,942 for a roof project to the K-2 building at June 30, 2006.

## **Required Supplementary Information**

**Denver Community School District**

**Budgetary Comparison Schedule of Receipts, Disbursements and Changes in Balances –  
Budget and Actual – All Governmental Funds and Proprietary Fund**

**Required Supplementary Information**

**Year Ended June 30, 2006**

	Governmental Funds Actual	Proprietary Fund Actual
Receipts:		
Local sources	\$ 3,118,208	\$ 152,395
Intermediate sources	-	-
State sources	3,015,176	3,801
Federal sources	104,002	74,245
Total Receipts	<u>\$ 6,237,386</u>	<u>\$ 230,441</u>
Disbursements:		
Instruction	\$ 3,610,031	\$ -
Support services	1,723,740	-
Non-instructional programs	-	241,110
Other expenditures	940,882	-
Total Disbursements	<u>\$ 6,274,653</u>	<u>\$ 241,110</u>
Excess (deficiency) of receipts over (under) disbursements	\$ -37,267	\$ -10,669
Balances beginning of year	<u>845,078</u>	<u>89,461</u>
Balances End of Year	<u>\$ 807,811</u>	<u>\$ 78,792</u>

See accompanying independent auditor's report.

	Total Actual		Budgeted Amount		Final To Actual Variance
\$	3,270,603	\$	3,154,330	\$	116,273
	-		4,000		-4,000
	3,018,977		3,083,074		-64,097
	178,247		222,000		-43,753
\$	6,467,827	\$	6,463,404	\$	4,423
\$	3,610,031	\$	4,094,384	\$	484,353
	1,723,740		1,811,000		87,260
	241,110		355,960		114,850
	940,882		1,445,239		504,357
\$	6,515,763	\$	7,706,583	\$	1,190,820
\$	-47,936	\$	-1,243,179	\$	1,195,243
	934,539		2,088,053		-1,153,514
\$	886,603	\$	844,874	\$	41,729



**Denver Community School District**

**Notes to Required Supplementary Information – Budgetary Reporting**

**Year Ended June 30, 2006**

This budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except Private Purpose Trust and Agency Funds. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on a GAAP basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

## **Other Supplementary Information**

## Denver Community School District

Combining Balance Sheet  
Non-Major Special Revenue Funds

June 30, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
<b>Assets</b>						
Cash and pooled investments	\$ 55,442	\$ 78,077	\$ 125,942	\$ 168,889	\$ 542	\$ 428,892
Receivables:						
Property Tax:						
Delinquent	1,521	-	1,933	-	3,764	7,218
Succeeding year	100,000	-	140,122	-	248,830	488,952
Accounts	-	-	-	33,195	-	33,195
<b>Total Assets</b>	<b>\$ 156,963</b>	<b>\$ 78,077</b>	<b>\$ 267,997</b>	<b>\$ 202,084</b>	<b>\$ 253,136</b>	<b>\$ 958,257</b>
<b>Liabilities &amp; Fund Equity</b>						
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Deferred Revenue:						
Succeeding year property tax	100,000	-	140,122	-	248,830	488,952
Total Liabilities	\$ 100,000	\$ -	\$ 140,122	\$ -	\$ 248,830	\$ 488,952
Fund Equity:						
Unreserved fund balances	\$ 56,963	\$ 78,077	\$ 127,875	\$ 202,084	\$ 4,306	\$ 469,305
<b>Total Liabilities &amp; Fund Equity</b>	<b>\$ 156,963</b>	<b>\$ 78,077</b>	<b>\$ 267,997</b>	<b>\$ 202,084</b>	<b>\$ 253,136</b>	<b>\$ 958,257</b>

See accompanying independent auditor's report.

## Denver Community School District

Combining Schedule of Revenues, Expenditures  
and Changes in Fund Balances  
Non-Major Special Revenue Funds

Year Ended June 30, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Capital Projects	Debt Service	Total
Revenues:						
Local Sources:						
Local tax	\$ 100,083	\$ -	\$ 127,905	\$ 407,794	\$ 249,100	\$ 884,882
Other	1,020	189,457	9,712	3,503	1,850	205,542
State sources	108	-	123	-	239	470
Total Revenues	\$ 101,211	\$ 189,457	\$ 137,740	\$ 411,297	\$ 251,189	\$ 1,090,894
Expenditures:						
Current:						
Instruction:						
Regular instruction	\$ 33,303	\$ -	\$ -	\$ -	\$ -	\$ 33,303
Other instruction	-	178,357	-	-	-	178,357
Support Services:						
Operation and maintenance of plant services	69,158	-	-	-	-	69,158
Other Expenditures:						
Facilities acquisition	-	-	176,505	313,399	-	489,904
Long-term debt:						
Principal	-	-	-	-	150,000	150,000
Interest & fees	-	-	-	-	98,480	98,480
Total Expenditures	\$ 102,461	\$ 178,357	\$ 176,505	\$ 313,399	\$ 248,480	\$ 1,019,202
Excess (deficiency) of revenues over (under) expenditures	\$ -1,250	\$ 11,100	\$ -38,765	\$ 97,898	\$ 2,709	\$ 71,692
Fund balances beginning of year	58,213	66,977	166,640	104,186	1,597	397,613
Fund Balances End of Year	\$ 56,963	\$ 78,077	\$ 127,875	\$ 202,084	\$ 4,306	\$ 469,305

See accompanying independent auditor's report.

## Denver Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Balance End of Year
RAMM	\$ 327	\$ -	\$ 327	\$ -
Shop resale	296	674	-	970
Resale-High School	745	595	433	907
Resale-Art	2,086	1,216	1,275	2,027
Resale-Middle School	2,478	16,611	12,171	6,918
Resale-Elementary	-	6,352	3,508	2,844
High School juice vending	1,000	-	1,000	-
Class of 2005	2,505	-	2,505	-
Class of 2006	2,644	-	2,644	-
Class of 2007	367	4,316	3,238	1,445
Class of 2008	483	735	-807	2,025
Class of 2009	-	2,132	210	1,922
Class of 2010	-	-	-398	398
Elementary Fundraising	6,088	4,031	6,781	3,338
High School book rent clearing	407	18,786	19,050	143
Elementary music resale	755	-306	60	389
Elementary School book rent clearing	61	6,265	6,063	263
Boys' basketball	595	7,435	5,874	2,156
Girls' basketball	1,019	5,823	4,617	2,225
Football	1,636	13,030	10,685	3,981
Baseball	52	5,029	5,081	-
Boys' track	2,747	8,276	9,164	1,859
Softball	1,890	3,888	5,778	-
Wrestling	3,106	8,474	9,396	2,184
Middle School Student Council	349	916	489	776
Athletic Awards	215	6,924	5,720	1,419
Cheerleaders	664	2,484	2,134	1,014
Golf	185	1,360	1,436	109
Volleyball	1,257	3,488	3,601	1,144
Soccer	-	8,843	7,924	919
Drama and Speech	946	1,022	1,881	87
Library	328	1,278	1,249	357
FFA-Farming Fund	3,955	-	345	3,610
Petty cash-change fund	300	-	300	-
Elementary Book Fair	4,897	9,465	11,992	2,370
Foods resale	398	2,256	2,152	502
Chemistry resale	-	1,987	1,987	-
Student Council	7,407	7,893	7,835	7,465
Band Trip	8,653	1,154	539	9,268
Weightlifting Club	-	58	-	58

## Denver Community School District

## Schedule of Changes in Special Revenue Fund, Student Activity Accounts

Year Ended June 30, 2006

Account	Balance Beginning Of Year	Revenues and Inter-fund Transfers	Expenditures	Balance End of Year
Annual	\$ -	\$ 10,348	\$ 6,314	\$ 4,034
Variety Show	3,001	490	-	3,491
Vocal-miscellaneous	1,344	1,694	1,504	1,534
Instrumental-miscellaneous	93	4,812	3,519	1,386
Cyclone Closet	60	-	60	-
Instrumental-resale	-	2,125	2,125	-
Faculty-pop	1,268	22	1,263	27
Elementary-pop	97	-	-	97
FFA	265	6,169	4,026	2,408
Spanish Club	8	-	-	8
Interest on investments	-	1,307	1,307	-
Total	\$ 66,977	\$ 189,457	\$ 178,357	\$ 78,077

See accompanying independent auditor's report.

## Denver Community School District

Schedule of Revenues by Source and Expenditures by Function  
All Governmental Funds

For the Last Four Years

	Modified Accrual Basis			
	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
<b>Revenues:</b>				
Local Sources:				
Local tax	\$ 2,479,070	\$ 2,312,518	\$ 2,241,025	\$ 2,269,314
Tuition	247,457	235,216	198,142	218,514
Other	391,681	401,736	473,627	414,144
Intermediate sources	-	-	-	-
State sources	3,015,176	2,900,896	2,780,478	3,504,413
Federal sources	104,002	127,944	95,905	80,291
<b>Total</b>	<b>\$ 6,237,386</b>	<b>\$ 5,978,310</b>	<b>\$ 5,789,177</b>	<b>\$ 6,486,676</b>
<b>Expenditures:</b>				
Instruction:				
Regular instruction	\$ 2,627,832	\$ 2,584,094	\$ 2,330,395	\$ 2,371,365
Special instruction	520,020	589,854	552,746	604,290
Other instruction	462,179	432,110	417,883	433,398
Support services:				
Student services	155,666	131,146	101,108	145,708
Instructional staff services	225,114	180,569	175,904	142,906
Administrative services	671,170	824,229	677,200	643,629
Operation and maintenance of plant services	528,619	542,440	423,467	295,389
Transportation services	143,171	153,815	214,464	148,383
Central support services	-	-	61,000	51,737
Non-instructional programs	-	-	-	-
Other expenditures:				
Facilities acquisition	489,904	816,730	860,706	2,440,436
Long-term debt:				
Principal	150,000	145,000	135,000	120,000
Interest and other charges	98,480	102,168	105,505	116,897
AEA flow-through	202,498	198,578	198,928	212,050
<b>Total</b>	<b>\$ 6,274,653</b>	<b>\$ 6,700,733</b>	<b>\$ 6,254,306</b>	<b>\$ 7,726,188</b>

**Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards**



Independent Auditor's Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters  
Based on an Audit of Financial Statements Performed in  
Accordance with Government Auditing Standards

To the Board of Education of  
Denver Community School District:

I have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Denver Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents, and have issued my report thereon dated October 5, 2006. I conducted my audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Denver Community School District's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, I noted certain matters involving the internal control over financial reporting and its operation that I consider to be reportable conditions. Reportable conditions involve matters coming to my attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in my judgment, could adversely affect the District's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in Part I of the accompanying Schedule of Findings.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, of the reportable conditions described above, I believe I-A-06 is a material weakness.


### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Denver Community School District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion. The results of my tests disclosed no instances of non-compliance or other matters that are required to be reported under Government Auditing Standards. However, I noted certain immaterial instances of non-compliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during my audit of the financial statements of the District. Since my audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of Denver Community School District and other parties to whom Denver Community School District may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

I would like to acknowledge the many courtesies and assistance extended to me by personnel of Denver Community School District during the course of my audit. Should you have any questions concerning any of the above matters, I shall be pleased to discuss them with you at your convenience.

  
Keith Oltrogge  
Certified Public Accountant

October 5, 2006

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part I – Findings Related to the General Purpose Financial Statements**

**INSTANCES OF NON-COMPLIANCE:**

No matters were reported.

**REPORTABLE CONDITIONS:**

I-A-06 Segregation of Duties – One important aspect of internal control is the segregation of duties among employees to prevent an individual employee from handling duties which are incompatible. Cash receipts are issued and bank deposits are prepared by the same person. An independent person does not open the mail and prepare an initial listing of the checks received and later compare the listing to the receipts issued. Also, vouchers are processed, disbursements are recorded, and checks are prepared by the same person.

Recommendation – I realize segregation of duties is difficult with a limited number of office employees. However, the District should review its procedures to obtain the maximum internal control possible under the circumstances.

Response – We will continue to review our procedures and implement additional controls where possible.

Conclusion – Response accepted.

**Denver Community School District**

**Schedule of Findings**

**Year Ended June 30, 2006**

**Part II - Other Findings Related to Statutory Reporting:**

- II-A-06 Certified Budget – Disbursements for the year ended June 30, 2006 did not exceed the certified budget.
- II-B-06 Questionable Expenditures – No expenditures that may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 25, 1979 were noted.
- II-C-06 Travel Expense – No expenditures of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- II-D-06 Business Transactions – No business transactions between the District and District officials or employees were noted.
- II-E-06 Bond Coverage – Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure the coverage is adequate for current operations.
- II-F-06 Board Minutes – No transactions requiring Board approval which had not been approved by the Board were noted.
- II-G-06 Certified Enrollment – No variances in the basic enrollment data certified to the Department of Education were noted.
- II-H-06 Deposits and Investments – No instances of non-compliance with the deposit and investment provisions of Chapter 12B and Chapter 12C of the Code of Iowa and the District's investment policy were noted.
- II-I-06 Certified Annual Report – The Certified Annual Report was certified to the Iowa Department of Education timely,
- II-J-06 Student Activity Fund – The Student Activity Fund includes accounts which should have been reclassified by a residual equity transfer in prior years in order for the fund to conform to U.S. generally accepted accounting principles in accordance with Chapter 257.31(4) of the Code of Iowa. These accounts include the Pop Accounts, Book Rent Accounts and Resale Accounts.

Recommendation – The Student Activity Fund accounts should be reviewed. Accounts not meeting the criteria for co-curricular and extra-curricular activities in accordance with Chapter 298A.8 of the Code of Iowa should be closed to the General Fund or Enterprise Fund, as appropriate. Accounts used as temporary clearing accounts should be closed at the end of each fiscal year.

Response – These accounts are being phased out. These accounts will be re-allocated or spent on activity items in the future until expended fully.

Conclusion – Response accepted.